Daniella Finn

Good day everyone, and welcome to our first quarter 2025 Earnings Call. On the call with me today are **Butzi Machlis, President and CEO and Kobi Kagan CFO.**

Before we begin, I would like to point out that the Safe Harbor Statement in the Company's press release issued earlier today also refers to the contents of this conference call.

As usual, we will provide you with both GAAP financial data as well as certain supplemental non-GAAP information. We believe that this non-GAAP information provides additional detail to help understand the performance of the ongoing business. You can find all the detailed GAAP financial data, as well as the non-GAAP information and the reconciliation, in today's press release.

Kobi will begin by providing a discussion of the financial results, followed by Butzi who will talk about some of the significant developments during the quarter and beyond. We will then turn the call over to a question-and-answer session.

With that, I would like now to turn the call over to Kobi.

Kobi – please.

Kobi Kagan

Thank you, Daniella.

Hello everyone and thank you for joining us today.

The strong set of results published earlier today continues the trend we have seen over the past few quarters of strong revenue growth and margin expansion. This quarter is the fourth consecutive quarter in which we publish double digit growth for revenues, backlog, operating income, net income and EPS. We are very pleased with these results. We continue to make a concerted effort to improve our free cash flow, and I am happy to announce that in this quarter, we present strong free cash flow totaling $161million.

I will now highlight and discuss some of the key figures and trends in our financial results.

First quarter revenues were 1 billion 896 million dollars compared to 1 billion 554 million dollars in the first quarter of 2024.

In the first quarter of 2025, Europe contributed 24%, North America 21%, Asia-Pacific 18% and Israel contributed 32% of revenues.

Demand continued to be robust in all key geographies.

GAAP gross margin in the first quarter was 24% of revenues compared to 24.1% in the first quarter of 2024.

The non-GAAP gross margin for the first quarter was 24.3%, compared to 24.7% in the first quarter of 2024.

The First quarter GAAP operating income for the First quarter was $149.7 million or 7.9% of revenues, versus $105.4 million or 6.8% of revenues in the first quarter of 2024.

Non-GAAP operating income was $165.1 million or 8.7% of revenues, compared with $121.6 million or 7.8% of revenues in the first quarter of last year.

The operating expense breakdown in the first quarter was as follows:

- Net R&D expenses were $114.3 million or 6.1% of revenues, compared to $98.5 million or 6.3% of revenues in the first quarter of 2024.
- Marketing and selling expenses were $100.9 million or 5.3% of revenues, versus $89.1 million or 5.7% in the first quarter of 2024.
- G&A expenses were $89.4 million or 4.7% of revenues, compared to $81.2 million or 5.2% of revenues in the first quarter of 2024.

Financial expenses were $39 million in the first quarter, compared to $31.2 million in the first quarter of 2024.

The increase in financial expenses in the first quarter of 2025 was mainly due to the hedging

transactions and the net effect of changes in the exchange rates of different currencies in which the Company operates.

We recorded a tax expense of $16.1 million in the first quarter, compared to $11.6 million in the first quarter of 2024.

The effective tax rate in the first quarter of 2025 was 13.9% compared to 14.6% in the first quarter of 2024.

GAAP diluted EPS was $2 and 35 cents for the first quarter of 2025 compared to $1 and 65 cents in the first quarter of 2024.

Our non-GAAP diluted EPS was $2 and 57 cents for the first quarter of 2025 compared to $1 and 81 cents in the first quarter of 2024.

Quarterly segment revenue for the first quarter of 2025:

Aerospace revenues increased by 20% year-over-year mainly due to increase in Precision Guided Munition (PGM) sales in Israel and Asia Pacific.

C4I and Cyber revenues increased by 12% year-over-year mainly due to increase in radio systems and command and control systems sales in Israel and in Europe.

ISTAR and EW revenues increased by 4% in the first quarter of 2025, mainly due to Electro Optic systems sales.

Land revenues increased by 48% in the first quarter of 2025, mainly due to increased ammunition and munitions sales in Israel and in Europe.

Elbit Systems of America revenues increased by 18% due to the increase in Warfighters systems and medical instrumentation sales.

Our order backlog as of March 31, 2025, was $23.1 billion, $2.7 billion higher than the backlog at the end of the first quarter of 2024. Approximately 66% of the current backlog is attributable to orders from outside of Israel. Approximately 51% of the current backlog is scheduled to be performed during the remainder of 2025 and during 2026, and the rest is scheduled for 2027

and beyond.

Net cash provided by operating activities at the end of first quarter 2025, was $184 million, as compared to $6 million cash used in the first quarter of 2024. Operating cashflows during the quarter were affected mainly by the increase in net income and an increase in contract liabilities, which were offset by the increase in inventories and trade receivables.

During the first quarter of 2025 we also delivered $161 million of Free Cash Flow.

The Board of Directors has declared a dividend of 60 cents per share.

I will now turn the call over to Mr. Machlis, Elbit's CEO.

Butzi, please go ahead.

Butzi Machlis

Thank you, Kobi.

I would like to begin by thanking all our Elbit employees around the world for their hard work and ongoing support and commitment to our customers. These results would not have been achieved without your ongoing commitment and dedication.

During Q1 2025 we have seen the dynamic trend of strong growth continue as demand in the defense business remains high. This is the fourth quarter in a row in which we have delivered double-digit year-over-year growth in Revenue, Operating profit, Net profit and Backlog. Our backlog has reached a record 23.1 billion dollars, up 14% from last year. For the period of the last four quarters our GAAP EPS is almost at $8 and the non GAAP EPS is at 9 and a half dollars.

The ongoing conflicts in the Ukraine and locally here, in the middle east, continue to dominate the geopolitical agenda. These are evident in governments' decision making around the world to increase defense budgets. Coupled with the ongoing rhetoric by President Trump for NATO allies to increase defense spending, is propelling this super cycle we are seeing in defense spend where we continue to see strong demand for Elbit's products and advanced technological solutions as evident in our growing backlog and sales. Last week, the NATO Secretary General presented a proposal for a plan to further increase defense spending in Europe to gradually

reach 5% of GDP by 2032, which is expected to be presented at the next NATO summit at the end of June.

We believe our cross geographic exposure to Israel, US, Europe, and Asia-Pacific is unique.

During the quarter and beyond we continued to receive orders for our solutions in artillery, ammunition, Electronic Warfare, radio systems and self-protection solutions among others. For example, we won a contract totaling approximately 100 million dollars to provide joint national digital fires command center for a European country; or a contract totaling 80 million dollars to supply the IMOD with advanced Airborne Self-Protection suites for the F-16I fleet designed to further secure the safety of the F-16I aircraft, enabling it to operate safely in hostile environments.

Another Self-Protection solution was won, this time a maritime EW Self Protection solution for frigate installation to NATO European countries. Elbit's DESEAVER MK-4 Countermeasure Dispensing System is an advanced maritime Electronic Warfare solution designed to effectively counter complex missile attack scenarios.

An additional contract secured to a NATO European country was to supply our ReDrone counter UAS solution. This multi-sensor and multi-mission system is part of Elbit's advanced EW, Radars and SIGINT portfolio, enabling the rapid detection and location of multiple drones simultaneously.

During the quarter we continued winning contracts for our Advanced Rocket Munitions Launcher PULS, Precise and Universal Launching Systems. This time, together with KNDS, it was Germany who selected our PULS solution which has now been selected by multiple European countries including Germany, the Netherlands and Denmark among others, testimony of its effectiveness in enhancing defense capabilities in the modern battlefield. Additionally, we won a $130 million contract for yet another European NATO country during the quarter. The scalable PULS system enables a variety of ranges to be used, starting from 35 KM and up to a range of 300 KM. These agile and scalable features of this advanced and versatile artillery rocket system, capable of launching a wide range of rocket types from a single platform, have been a key win consideration by our customers versus other solutions.

In February, we showcased our latest developments in Air defense technology at the Aero India show.

Elbit's innovative portfolio featured solutions including Unmanned Aerial Systems, Directed Infrared Countermeasure technology, Electronic Warfare (EW) capabilities, Precise Guided Munitions and our Helmet Mounted Displays among others. I am pleased to say that there was a strong interest in our products displayed.

We continue to see a growing amount of interest in our Iron Beam system, the High-Power Laser solution which is expected to be operational by the end of 2025. The Laser component of the Iron Beam solution developed by Elbit is intended to provide a robust defense against a variety of incoming threats. The $200 million contract announced back in October 2024, positions Elbit as Israel's Laser Center and a global leader in high-power laser technology, both for land and airborne solutions. We shall continue to update you on developments in this area.

And with that, we will be happy to answer your questions.

Q&A

Daniella Finn – Question from Chen Keret of Excellence securities

The first question: is there an expectation of a slowdown in activity in Israel due to a possible decline in the intensity of the conflict in Gaza, or a ceasefire imposed by the U.S., how is the company preparing for such a scenario?

Butzi Machlis

Thank you. First I would like to say that I am praying for the end of the ongoing war in Israel and for the release of the hostages from Gaza. However, I believe that the investment in defense will continue in the near future. The main reason being that these investments are necessary in order to maintain the IDF's advantageous position as well as replenish inventories and repair damaged battle equipment. I believe this is true for Europe as well. We are seeing European countries preparing themselves for increased investment in defense as the concern from Russian aggression grows, especially in Northern Europe. Hence, I do not see any slowdown in defense spend in the near future, not in Israel neither in Europe.

Daniella Finn – Question from Chen Keret of Excellence securities

Thank you and the second question from Chen, is an improvement in the gross profit rate expected in the coming year? Or will the profitability target be achieved while relying on operating leverage?

Kobi Kagan

Thank you Chen. With the high demand we are witnessing and the expedited growth of our backlog, we can be more selective in the bookings we take. Additionally, on top of that, we will see continuous operational leverage as you mentioned. Thank you.

Daniella Finn – Question from Chen Keret of Excellence securities

And the next question from Chen is what is the expectation for CapEx for the rest of the year?

Kobi Kagan

We see a slightly higher level of CapEx investment this year, around $250 million, as compared to the $215 million last year.

Butzi Machlis

I would like to add more flavor to this question with regards to investment here in Israel and in Europe. The main reason for investment in defense is not just to support the current conflicts, but also to create deterrence against enemies. These investments in defense solutions could serve to potentially avoid war in the future.

Daniella Finn – Question from Chen Keret of Excellence securities

Thank you for that. And a final question from Chen is what is the status of the Iron Beam, will it be operational by the end of the year or slightly after that? Butzi if you can elaborate on that please.

Butzi Machlis

The High Power Laser land solution should be operational by the end of this year. We are working hard to make it happen, and there is a lot of progress. In parallel, we continue to invest in the airborne solution. We believe that bringing the airborne solution to the arena will

create a huge change in the way countries are fighting incoming threats, mainly against swarms. Hundreds of engineers are working to develop this system, and a significant amount of progress has been made here as well.

Omri Efroni - Oppenheimer

Hi, guys. Congrats on the great quarter. I have three questions. The first is about the land division. The operating margin was pretty high at 9%, and I know that most of the equipment is going into Israel. I was wondering if you have any more upside when Israeli stockpiles are full and Elbit will be able to sell to other countries. The second question is about the Iron Beam. I was wondering if you have any internal price targets for the system and if so, will the system be sold only to Israel, or will you be able to sell it internationally, to the United States.

And the third question is about the pictures you show on slide seven. I see here the soldier lethality program, the IVAS in the United States, I was wondering if you have any targets or any more color you can give or IVAS and the Augmented Reality Soldier Enhancement, and maybe some more color on the maritime sensing or any future products that might be of more importance for the next few years.

Butzi Machlis

So, let's answer these one by one. If I am not mistaken, the first question was regarding the land revenues. First, the land division does not sell only ammunition, it sells full turnkey solutions, which include artillery systems, howitzers, mortars, command and control systems, fire control systems, electro-optics solutions, and of course munition and guided munition as well, all combined. Following the IMI acquisition, we combined all land elements into one division, enabling us to sell turnkey solutions to our customers. Not stand alone products but the full solution. Now, if I understood you correctly, you asked what will happen after the demand in Israel decreases.

Omri Efroni - Oppenheimer

Yes. If you have any more upside in the operating leverage, operating margin in the land division.

Kobi Kagan

And also you asked about the demand outside of Israel.

Omri Efroni - Oppenheimer

Yes. I mean, I suppose it continues to be strong. My main question is when you start selling outside of Israel, maybe to Europe, in much higher numbers, whether the operating margin is going to be enhanced.

Butzi Machlis

We will continue to improve our sales and profit in the land division, as evident in these quarterly results. We believe revenues will grow further from here. We continue to see strong demand, mainly in Europe, not just in Israel. So I truly believe that there is a lot of potential for further revenue growth and profit expansion in this segment.

On the question of pricing for Iron Beam we don't disclose this information publicly. I can tell you that there is a huge amount of interest in the laser solution and several other types of energy weapons we develop as well both in Israel and abroad.

Regarding the third question on our US soldier lethality and maritime businesses, I can say that we are very happy with the acquisition of Night Vision a few years ago. This company is growing and improving providing night vision equipment to the U.S. Army, the Marines, as well as other international customers. Leveraging the Elbit portfolio we were able to combine a full turnkey solution for infantry soldiers. This is also a lesson learned from the current conflict we have here in our region. We are tailoring unique solutions for future infantry soldiers and are offering this solution to our customers in the US as well as in other countries. I'm very happy to say that we just announced a $112 million contract to the U.S. Marine Corps, and we see a lot of potential in this specific domain. It's a growing segment in our portfolio.

Conor Walters - Jefferies

Hi guys, good morning. Congrats on such an excellent quarter. Maybe to stick with the top line, Q1 was off to a great start with 22% growth, well on track for the double-digit target for the

year. Curious as to what played out better than expected for the quarter and how we should think about the drivers for the remainder of the year, particularly as we think about the momentum we saw in land and aerospace.

Kobi Kagan

Hi, Connor. How are you, thank you for the question. We had a very good start to 2025, as you mentioned. We see significant growth in the land segment's backlog, which was demonstrated in the 48% expansion in land revenues year over year. In fact all segments grew this quarter, most delivering double digit growth.

Conor Walters - Jefferies

Got it. That's very helpful, and maybe one more for you Kobi, Free Cash Flow generation in the quarter was very strong again, continuing that momentum we saw from Q4 of last year, nearly 140% conversion on your adjusted net income. Curious how we should be thinking about the opportunity for the full year and maybe what's driven this step change in your cash conversion of the last few quarters?

Kobi Kagan

Thank you Connor for pointing this out. There were three main drivers for the Free Cash Flow generation this quarter. First, increased net income, that is plain vanilla: just increase the net income which will translate to a better cash conversion. Secondly, we had very strong contract liability down payments in the quarter totaling $170 million. And thirdly, there was a one time grant of $57 million that we received from the Israeli Land Authority, the ILA, which was part of the contract signed for the evacuation of the facility in Ramat HaSharon moving to Ramat Beka by the end of 2026. These are the three elements contributing to the strong Free Cash Flow generation in the first quarter.

Mr. Machlis, would you like to make your concluding statement?

Butzi Machlis

I would like to thank all our employees for their continued hard work and for their contribution

to Elbit Systems' success. To everyone on the call, thank you for joining us today and for your continued support and interest in our company.

Have a good day and goodbye.